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South Africa - Republic of

SUGAR SEMI-ANNUAL

South Africa Sugar Semi-Annual

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Report Highlights:

Sugarcane production in South Africa for the 2008/09 season was finalized at 19.26 million tons. This is 2.3 percent less sugarcane crushed than the previous season. The 2008/09 season sugar production was finalized at 2.27 million tons Tell Quell (2.35 MTRV), 0.6 percent less than the previous season. For the 2009/10 season production of sugarcane is estimated at 19.66 million tons which will produce 2.33 million tons Tell Quell (2.41 MTRV) of sugar. South Africa has already filled their allocation of tariff rate sugar exports to the United States for the 2009/10 season

Executive Summary:

Sugarcane production for the 2008/09 season was finalized at 19.26 million tons. This is 2.3 percent less

sugarcane crushed than the previous season and 5.0 percent less than the 2006/07 season. The main reason for this decline in sugarcane production was the huge increase in input costs, especially the cost of fertilizer. For the 2009/10 season production of sugarcane is estimated at 19.66 million tons, 2 percent more than the 2008/09 season.

The 2008/09 season sugar production was finalized at 2.27 million tons Tell Quell (2.35 MTRV), 0.6 percent less than the previous season. For the 2009/10 season production of sugar is estimated 2.33 million tons Tell Quell (2.41 MTRV).

Although the international price of sugar has spiked, South African cane growers are not benefiting fully because of the Rand's relative strength against the US dollar.

<http://www.sasa.org.za>

<http://www.illovo.co.za>

<http://www.hulets.co.za>

<http://www.tsb.co.za>

<http://www.sacanegrowers.co.za>

US\$1=R7.30 (10/15/2009)

Commodities:

Sugar Cane for Centrifugal

Production:

Sugarcane production for the 2008/09 season, which started in April 2008, was finalized at 19.26 million tons. This is 2.3 percent less sugarcane crushed than the previous season and 5.0 percent less than the 2006/07 season. The main reason for this decline in sugarcane production was the huge increase in input costs, especially the cost of fertilizer.

The 2008/09 season sugar production was finalized at 2.27 million tons Tell Quell (2.35 MTRV), 0.6 percent less than the previous season. The cane to sugar ratio at 8.49 is better than in the 2007/08 season (8.64) partly due to an improvement in cane quality, higher sucrose content and efficient milling practices.

For the 2009/10 season production of sugarcane is estimated at 19.66 million tons, 2 percent more than the 2008/09 season. The main reason for the estimated increase in sugar production is the current good climatic conditions in the sugar producing area of South Africa. With a

cane/sugar ratio of 8.44, 19.66 million tons of sugar cane equals 2.33 million tons Tell Quell (2.41 MTRV) of sugar.

Table 1 illustrates the production of sugar in South Africa from the 2005/06 to the 2009/10 (estimate) season.

Table 1: The production of sugar in South Africa from the 2005/06 season

Season	Area planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar production (MT*)	Cane/sugar ratio
2005/06	423,960	318,856	66.02	21 052 266	2 507 203	8.40
2006/07	419,463	305,600	66.36	20 278 603	2 235 287	9.07
2007/08	412,979	307,380	64.79	19 723 916	2 281 765	8.64
2008/09	413,566	311,425	63.40	19 255 404	2 269 087	8.49
2009/10 est.	413,000	310,000	63.42	19 660 000	2 330 000	8.44

*Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value

Marketing:

Cane prices

The international price of sugar has spiked to a 28-year high. The main reasons for this rise in international sugar prices are the lower yields expected to come out of Brazil and India, the world largest- and second-largest sugar producing countries. India had its driest June in 83 years, which is expected to affect the yield. On the other hand, parts of Brazil are experiencing rainfall four times higher than normal, making it too wet to harvest. However, the Rand's relative strength against the US dollar is limiting the benefits of high international raw and refined sugar prices for South African cane growers.

Cane growers are paid for their sugar cane according to the quality of the cane delivered to the mill as well as through a revenue sharing arrangement. Cane quality is measured by the Recoverable Value (RV) formula, which estimates the amount of sugar and molasses that can be produced from a delivery of cane. Total proceeds from sugar and molasses sales to the local and export market are shared between growers, millers and refiners in accordance with the Sugar Industry Agreement. A provisional RV price is declared monthly during the season which is applied to all cane delivered to date. A final RV price for the season is declared in March of each year.

The September 2009 Recoverable Value (RV) price for sugar was set at R2,260 per ton. The average price estimate for the 2009/10 season is R2,287 per ton, 13.7 percent higher than the 2008/09-season. Average RV prices for the industry paid by millers to growers as well as the cane price are shown in Table 2.

Table 2: Average Recoverable Value and cane prices

Year (Apr – Mar)	RV Price (Rand)	Cane Price (Rand)	R/\$ Exchange rate
2002/03	1 368.79	171.78	9.72
2003/04	1 357.01	169.08	7.17
2004/05	1 297.19	159.55	6.26
2005/06	1 389.80	173.59	6.40
2006/07	1 701.86	198.78	7.04
2007/08	1 701.90	208.82	7.13
2008/09	2 011.18	251.00	8.85
2009/10	2 287.00	250.00	7.30

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal South Africa (1000 HA, 1000 MT)	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		
	USDA Official Data	Old Post		USDA Official Data	Old Post		USDA Official Data	Jan	
			Data			Data			Data
Area Planted	423	423	413	418	418	414		416	413
Area Harvested	319	319	307	310	310	311		308	310
Production	19,724	19,724	19,724	19,220	19,255	19,255		19,096	19,660
Total Supply	19,724	19,724	19,724	19,220	19,255	19,255		19,096	19,660
Utilization for Sugar	19,724	19,724	19,724	19,220	19,255	19,255		19,096	19,660
Utilization for Alcohol	0	0	0	0	0	0		0	0
Total Utilization	19,724	19,724	19,724	19,220	19,255	19,255		19,096	19,660

Alternative Uses for Sugar Cane

The Industrial Development Corporation (IDC) and Central Energy Fund (CEF), both government owned, plan to start two bio-fuels projects with an investment value of more than R3.2 billion (\$0.39bn). One of the projects will be located near Cradock in the Eastern Cape and the other will be located near Hoedspruit in Mpumalanga. The plan is for the Eastern Cape project to use sugar beet to produce about 90 million liters of bio-fuel annually, and the Mpumalanga venture to make 100 million liters of fuel from sugar cane. In addition, the IDC and CEF are also evaluating the viability of producing 150 million liters of bio-fuel from sugar cane in Pondoland, which spans KwaZulu-Natal and the Eastern Cape. These three projects will produce nearly enough bio-fuel to achieve the South African Government's goal of a 2 percent penetration of bio-fuels in the national liquid fuel supply by 2012.

The sugar beet project near Cradock is currently the closest to implementation with final approval granted by all stakeholders. The stakeholders are hopeful that the plant will be constructed in the next 18 months. However, farmers in the region have not yet committed a single hectare to sugar beet production, saying they'll only do so if it is more profitable than their existing crops. At least 4,000 hectares must be committed to planting before the R1.5 billion (\$0.18bn) plant can be built. Negotiations are still ongoing with the farmers. Without guaranteed feedstock, building the plant would be a pointless and expensive exercise.

There was also an announcement at the South African Sugar Association's official launch of the

2009/10 season, that a sugar processing facility will be constructed on the Makhathini flats in rural KwaZulu-Natal. This announcement surprised some of the role players in the sugar industry. The facility could be commissioned as early as 2011. The project, which is part of the Department of Trade and Industry (DTI's) Industrial Policy Action Plan, aims to produce ethanol and other sugar products and could create 1 800 jobs. However, SA Cane growers' Association, which is not involved in the project said the announcement raised a number of unanswered issues. Some of these issues include the viability of producing ethanol and co-generation out of sugar without government support and if the Makhathini stakeholders will receive any special dispensation to enable them to produce ethanol cost-effectively, then that dispensation should be provided to the whole industry.

South African sugar milling companies expanding into the rest of Africa

Illovo Sugar, the largest sugar milling company in South Africa, plans to raise R3 billion (\$410 million) in order to finance new sugar projects in Zambia, Mozambique, Malawi and Tanzania. These projects will eventually produce a million new tons of sugar annually. This will raise Illovo's current production of 2 million tons annually by a third.

Tongaat Hulett, the second largest sugar milling company in South Africa plans to invest R150 million (\$21 million) in Zimbabwe. Zimbabwe's move to a US\$ and South African Rand base economy has restored fundamentals to the economy and Tongaat Hulett's current sugar business in Zimbabwe is benefiting from the transition.

Commodities:

Sugar, Centrifugal

Production:

The 2008/09 season sugar production was finalized at 2.27 million metric tons Tell Quell (2.35 million MTRV), compared to the 2007/08 production of 2.28 million tons, (2.36 million MTRV). For the 2009/10 season sugar production is estimated to stay around 2.3 million metric tons Tell Quell (2.38 million MTRV).

Consumption:

The South African Customs Union (SACU) market is of major significance for the South African sugar industry. The demand for sugar in the region has continued to grow in the past few years and the per capita consumption is currently 35.8 kg per annum compared to 31.9 kg per annum, seven years ago.

Of South Africa's SACU sales, approximately 42.4 percent is sold to industrial customers, with the balance sold directly to the consumer market. Table 3 contains South African sales of sugar into the SACU market. The 2008/09 sugar sales increased by 4.7 percent to 1.427 million tons.

Table 3: South African sales of sugar into the SACU market

MT	2006/07	2007/08	2008/09
White sugar	1 121 273	1 121 263	1 162 113
Brown sugar	224 297	241 292	264 949
Direct sales	771 216	784 293	822 224
Industrial sales	574 354	578 263	604 838
Total sales	1 345 570	1 362 555	1 427 062
MTRV	1 439 760	1 410 244	1 477 009

Trade:

The South African Revenue Services (SARS) reports on exports and imports for the 2008/09 marketing year is shown in the trade matrixes. For the 2009/10 marketing year imports and export from April 2009 to July 2009 is shown. (Exports to Uganda in 2008 are not included in the trade matrix. SARS recorded sugar exports by South Africa to Uganda at 428,762 tons; however post have reasons to believe this information is incorrect. Post will meet with SARS representatives soon to discuss our concerns with the data.)

Not indicated in the trade matrixes is the fact that South Africa already filled their allocation of tariff rate exports to the United States for the 2009/10 season.

Export Trade

Country	South Africa,			
Commodity	Sugar, Centrifugal			
Time Period	My	Units:	Mt	
Exports for:	2008/09		2009/10*	
U.S.	22 861	U.S.	0	
Others		Others		
Mozambique	172 093	Mozambique	71 776	
Japan	124 250	Japan	0	
South Korea	140 000	South Korea	0	
India	25 400	India	0	
Kenya	29 118	Kenya	4 743	
Indonesia	61 880	Indonesia	0	
Angola	31 824	Angola	9 969	
Madagascar	37 228	Madagascar	11 984	
Zimbabwe	12 089	Zimbabwe	16 263	
Ghana	17 858	Ghana	1 205	
Total for Others	651 740			
Others not	91 573			

Listed
Grand Total 766 174 286 255
*April to July

Import Trade

Country South Africa
Commodity Sugar,
Time Period My Units: MT
Imports for: 2008/09 2009/10*
U.S. 75 U.S. 3
Others Others
Brazil 122 876 Brazil 40 312
India 4 030 India 11
Malawi 6 046 Malawi 0
Total for Others 132 952 40 323
Others not
Listed 3 215 5 989
Grand Total 136 242 46 315
*April to July

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Africa (1000 HA, 1000MT)	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Beginning Stocks	446	446	446	227	227	227	162	162	97
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	2,360	2,360	2,360	2,350	2,350	2,350	2,300	2,300	2,380
Total Sugar Production	2,360	2,360	2,360	2,350	2,350	2,350	2,300	2,300	2,380
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	165	165	165	175	175	175	200	200	200
Total Imports	165	165	165	175	175	175	200	200	200
Total Supply	2,971	2,971	2,971	2,752	2,752	2,752	2,662	2,662	2,677
Raw Exports	904	904	904	800	800	800	750	750	750
Refined Exp.(Raw Val)	250	250	250	200	200	200	150	150	150
Total Exports	1,154	1,154	1,154	1,000	1,000	1,000	900	900	900
Human Dom. Consumption	1,585	1,585	1,585	1,585	1,585	1,650	1,585	1,585	1,680
Other Disappearance	5	5	5	5	5	5	5	5	5
Total Use	1,590	1,590	1,590	1,590	1,590	1,655	1,590	1,590	1,685
Ending Stocks	227	227	227	162	162	97	172	172	92
Total Distribution	2,971	2,971	2,971	2,752	2,752	2,752	2,662	2,662	2,677